

on home energy expenditures or equivalent measures used to support eligibility, or where such information is unavailable or does not adequately reflect the actual cost of average home energy use in a local community, reasonable estimates of commercial energy costs.

(b) *Served areas.* A comparison of the historical residential energy cost or expenditure information for the local commercial energy provider(s) serving the target community or target area with the benchmark criteria published by the Agency.

(c) *Engineering estimates.* Estimates based on engineering standards may be used in lieu of historical residential energy costs or expenditure information under the following circumstances:

(1) Where historical community energy cost data are unavailable (unserved areas), incomplete or otherwise inadequate;

(2) Where the target area is not connected to central station electric service to a degree comparable with other residential customers in the State or region.

(3) Where historic energy costs do not reflect the costs of providing a necessary upgrade or replacement of energy infrastructure that would have the effect of raising costs above one or more of the Agency benchmarks.

(d) *Independent Agency review.* Information to support high energy cost eligibility is subject to independent review by the Agency. The Agency may reject applications that are not based on credible data sources or sound engineering estimates.

§ 1709.109 Eligible projects.

Eligible projects are those that acquire, construct, extend, repair, upgrade or otherwise improve energy generation, transmission or distribution facilities serving communities with extremely high energy costs. All energy generation, transmission and distribution facilities and equipment used to provide or improve electricity, natural gas, home heating fuels, and other energy services to eligible communities are eligible. Projects providing or improving service to communities with extremely high energy costs through on-grid and off-grid renewable energy technologies, energy efficiency, and en-

ergy conservation projects and services are eligible. A grant project is eligible if it improves, or maintains energy services, or reduces the costs of providing energy services to eligible communities. Examples of eligible activities include, but are not limited to, the acquisition, construction, replacement, repair, or improvement of:

(a) Electric generation, transmission, and distribution facilities, equipment, and services serving the eligible community;

(b) Natural gas distribution or storage facilities and associated equipment and activities serving the eligible community;

(c) Petroleum product storage and handling facilities serving residential or community use.

(d) Renewable energy facilities used for on-grid or off-grid electric power generation, water or space heating, or process heating and power for the eligible community;

(e) Backup up or emergency power generation or energy storage equipment, including distributed generation, to serve the eligible community; and

(f) Implementation of cost-effective energy efficiency, energy conservation measures that are part of the implementation of a coordinated demand management or energy conservation program for the eligible community, such as, for example, weatherization of residences and community facilities, or acquisition and installation of energy-efficient or energy saving appliances and devices .

§ 1709.110 Use of grant funds.

(a) *Project development costs.* Grants may be used to fund the costs and activities associated with the development of an eligible energy project. RUS will in no case approve the use of grant funds to be used solely or primarily for project development costs. Eligible project development costs must be reasonable and directly related to the project and may include the following:

(1) Costs of conducting, or hiring a qualified consultant to conduct, a feasibility analysis of the proposed project to help establish the financial and technical sustainability of the project, provided that such costs do not exceed